

**The Gym Group plc**

**(the “Company”)**

**Remuneration Committee (the “Committee”) - Terms of Reference  
Adopted by the board on 20 September 2018**

**1. MEMBERSHIP**

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chairman may also serve on the Committee as a member if he or she was considered independent on appointment as Chairman.
- 1.2 Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals such as the Chief Executive Officer and other Directors (except where their own remuneration is being determined) and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. The Committee shall remain independent of management and majority shareholders at all times.
- 1.3 Appointments to the Committee will be made by the Board on the recommendation of the Company’s nomination committee.
- 1.4 The Board shall appoint the Committee Chair from among those members of the Committee on the recommendation of the Nomination Committee. In the absence of the Committee Chair and/or an appointed alternate member, the members present at any meeting shall elect one of their number who would qualify under these terms of reference to be appointed to that position by the Board to chair the meeting. The Chairman shall not be Committee Chair.
- 1.5 The Company Secretary, or his or her nominee, shall act as the secretary of the Committee.
- 1.6 The Secretary will forward to all members of the Committee all information and papers in a timely manner to enable full and proper consideration of any issues.
- 1.7 Each member of the Committee shall disclose at the beginning of each meeting to the other members of the Committee:
  - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
  - (b) any potential conflict of interest arising from a cross-directorship; and

any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

**2. QUORUM**

- 2.1 The quorum necessary for the transaction of business at meetings of the Committee shall be two members present throughout the meeting. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **3. MEETINGS**

- 3.1 The Committee shall meet at least four times a year and at such other times as the Committee Chair or any member of the Committee may request.
- 3.2 The Chairman and/or the Chief Executive Officer may be invited by the Committee to attend meetings to discuss the performance of the other Executive Directors and to make proposals as necessary. The Committee may consult the other Non-Executive Directors in its evaluation of the Chief Executive Officer.
- 3.3 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers shall, unless otherwise agreed, be issued to each Committee member and any other person required to attend no later than three working days before the date of the meeting. These may be issued via electronic means where the recipient has agreed to receive the documents in such a way.
- 3.4 Members of the Committee may participate and be included in any quorum in any Committee meetings by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, provided the meeting is quorate. Such meetings shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Committee Chair is.
- 3.5 The Committee Chair shall have a casting vote in the event of an equality of votes and no individual shall be present when their own remuneration is being determined. No director will be involved in any decision as to his own remuneration.

### **4. AUTHORITY**

- 4.1 The Board authorises the Committee to:
  - (a) investigate any activity within its Terms of Reference and make recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
  - (b) seek any information it requires from, or request the attendance at any of its meetings of, any director or employee of the Group and all directors and employees are expected to co-operate with any requests made by the Committee;
  - (c) supply to others information about the Company's remuneration practices and, secure the attendance at meetings of outsiders with relevant experience and expertise;
  - (d) obtain, at the Company's expense appropriate external professional advice as it considers necessary (the Committee is responsible for the appointment of any remuneration consultants in respect of the Chairman and Executive Directors' remuneration);
  - (e) commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
  - (f) recognise and avoid conflicts of interest and ensure that where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes; and
  - (g) delegate any of its powers to one or more of its members or the Secretary.

5.2 A summary of the division of authority between the Committee and the Board is included below as Appendix 1.

## **5. DUTIES AND RESPONSIBILITIES**

5.1 The Committee should make available its Terms of Reference on the Company's website.

### **Development of Remuneration Strategy and Policy**

5.2 The Committee shall:

- (a) determine, and recommend to the Board for approval, a remuneration policy which aims to provide a structured and balanced remuneration package for the Executive Directors aligned to the Group's strategy, risk appetite, culture and values. The Remuneration Policy will cover performance based variable rewards (cash and share based annual bonus plans and long term incentive plans), the core fixed elements (base salary and benefits including pension arrangements), terms of employment of the Executive Directors and compensation payments. In so doing, the Committee shall review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- (b) submit the Group's Remuneration Policy to a binding vote of shareholders in accordance with the Company's obligations under the Companies Act 2006 and Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (and as amended in 2013) and consider, and where appropriate respond to, feedback received from shareholders through that process;
- (c) consult the Chairman and/or the Chief Executive Officer about its proposals relating to the remuneration of other Executive Directors but should take care to recognise and manage conflicts of interest. It will also consult the senior independent director and other Non-Executive Directors, who are not members of the Committee, about its proposals relating to the remuneration of the Chairman;
- (d) undertake a periodic review, at least annually, of the Remuneration Policy to ensure continued compliance and alignment with the best practice principles of the UK Corporate Governance Code;
- (e) determine the policy for pension arrangements for each Executive Director;
- (h) regularly review the on-going appropriateness and relevance of the Remuneration Policy to ensure compliance and appropriate consistency and effectiveness of application, and, if necessary, make proposals for changes. This review will include, but will not be limited to, assessment:
  - (i) to ensure that remuneration policies support strategy and promote the long-term sustainable success of the Company;
  - (ii) to ensure, where possible, that remuneration is aligned to company purpose and values and is clearly linked to the successful delivery of the company's long-term strategy;

### **Executive Directors, Chairman and Executive Committee Remuneration**

5.3 Within the terms of the Remuneration Policy, the Committee shall:

- (a) determine on appointment the terms and conditions of engagement (including remuneration) of the Chairman, and members of the Executive Committee, comprising basic fee/salary, performance based variable rewards, benefits including pension or any incentive scheme entitlements (including performance targets in connection with the awards and options), and approve any non-standard contractual terms for such individuals and, in the case of Executive Directors, determining the same for recommendation to the Board;
- (b) determine any changes to the remuneration of the Chairman, the Executive Directors and the members of the Executive Committee, considering any recommendations of the Chairman or Chief Executive Officer, giving due regard to the overarching remuneration strategy, pay and employment conditions across the Group as a whole, the risk appetite and culture of the Group and alignment to the Group's long term strategic goals;
- (c) determine on termination the compensation payments or arrangements, if any, due to the Chairman, or one of the Executive Directors or the members of the Executive Committee, having regard to the circumstances of the termination and terms of the relevant employment contract and share based plans and in relation to any such arrangements concerning the Chief Executive Officer, the Committee shall determine and recommend for approval to the Board the terms of any termination of such employment;
- (d) consider and, make recommendations to the Board, of any changes to the terms and conditions of engagement of the Chairman, Executive Directors and the members of the Executive Committee and any proposed changes to their employment contracts;
- (e) approve the good leaver status, the treatment of any deferred awards and any compensation payments on termination for the Executive Directors and the members of the Executive Committee; and

5.4 The remuneration of the Non-Executive Directors will be a matter for the Committee Chair and executive members of the Board.

**All Employees**

5.5 The Committee shall:

- (a) review workforce remuneration and related policies, and the alignment of incentives and rewards with culture;
- (b) establish the overall parameters for annual salary reviews and bonus plans of the Group's employees and make recommendations to the Board for approval; and
- (c) approve any material compensation payments to an employee on termination in excess of such employee's entitlement under his/her contractual terms.

**Performance related remuneration and share schemes**

5.6 The Committee shall:

- (a) review the design of, determine achievement levels for, and approve any performance related (cash) pay schemes operated by the Group and:
  - (i) approve the annual bonus arrangements;
  - (ii) approve the rules underpinning such schemes and any amendments to the schemes prior to obtaining shareholder approval (when required);

- (iii) determine actual performance against such achievement levels (based upon the annual financial results of the Group, approved by the Board);
- (iv) approve the total annual payments made under such schemes and vesting schedules; and
- (v) approve the allocation of the Group's annual bonus pools;
- (b) review the design and operation of all share incentive schemes and:
  - (i) approve the share incentive arrangements;
  - (ii) approve the rules underpinning such schemes and any amendments to the schemes prior to obtaining shareholder approval (where required);
  - (iii) for any such schemes each year determine and approve whether awards will be made, and if so, the overall amount of such awards, the individual awards to any participant;
  - (iv) consider and review the terms of any new equity incentive plans;
  - (v) set appropriate targets in connection with the incentives schemes and determine, in conjunction with any advisers the Committee may have appointed, whether such performance targets have been satisfied;
- (c) exercise any discretion specified in the rules of the schemes and generally oversee the administration of schemes; and
- (d) ensure the schemes include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be inappropriate to do so.

## **6. OTHER MATTERS**

### **6.1 The Committee will:**

- (a) be exclusively responsible for establishing the selection criteria, selecting appointees and setting the terms of reference for any remuneration consultants who advise the Committee;
- (b) approve the appointment of any remuneration consultants to the Company, the costs of whom shall be within the budgetary constraints imposed by the Board;
- (c) determine the Group's approach to remuneration governance and performance management framework;
- (d) agree the policy for authorising claims for expenses from the Executive Directors and Chairman;
- (e) obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity; and
- (f) consider other matters relating to the purpose of the Committee as are referred to it by the Board.

## **7. REPORTING RESPONSIBILITIES**

- 7.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities unless it would be inappropriate to do so.
- 7.2 The Committee shall provide such recommendations to the Board as it deems appropriate on any areas within its remit where action or improvement is needed or desirable.
- 7.3 The Committee will:
- (a) assist the Board in preparing an annual remuneration report to shareholders for the purposes of, and in accordance with, sections 420 and 421 of the Companies Act 2006 and Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (and as amended in 2013), LR 9.8.8.R of the Listing Rules of the Financial Conduct Authority and the provisions of the UK Corporate Governance Code;
  - (b) make a statement of its membership, remuneration policies, procedures and a description of its duties and activities during the year, to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the Company's annual general meeting;
  - (c) review and recommend to the Board the Remuneration Policy (to be included at least every third year), and any other remuneration disclosures within the financial statements and half yearly reports; and
  - (d) consider and make recommendations to the Board concerning disclosures of details of remuneration packages and structures in addition to those required by law, the UK Listing Authority or the London Stock Exchange.
- 7.4 Where the Committee has appointed remuneration consultants, the annual remuneration report will identify such remuneration consultants and state whether they have any other connection with the Company.
- 7.5 The Committee Chair will ensure that the Company maintains contact with its principle shareholders about remuneration.
- 7.6 The Committee Chair will be available to answer questions about the Committee's activities at the annual general meeting of the Company. All members of the Committee shall also attend the annual general meeting.

## **8. REVIEW**

- 8.1 The Committee is authorised by the Board to obtain inside and outside legal or other professional advice including, within any budgetary restraints imposed by the Board, information about remuneration practices elsewhere, at the Company's expense.
- 8.2 The Committee will give due consideration to laws and regulations including the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any published guidelines or recommendations regarding the remuneration of directors of UK listed/non-listed companies and formation and operation of share schemes as well as guidelines published by the Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate.
- 8.3 These terms of reference shall be reviewed by the Committee and, where necessary updated, at least once a year.

## APPENDIX 1

	<b>Board</b>	<b>Remuneration Committee</b>
Remuneration Policy and individual packages for Executive Directors, Chairwoman, Executive Committee members and any employees earning (including anticipated bonuses and other benefits) in excess of £100,000 per annum		Approves
NED Remuneration	Approves (Chairwoman and EDs)	
Overall parameters for annual salary reviews, pensions and bonus plans of the Group's employees	x	Receives annual report
Directors' Remuneration Report	x	Recommends to Board for approval
Introduction of new executive or employee incentive plans or major changes to existing plans (to be put to shareholders for approval)	x	Recommends to Board for approval
Pensions – Executive Directors, Executive Directors, Chairwoman, Executive Committee members and any employees earning (including anticipated bonuses and other benefits) in excess of £100,000 per annum		x
Share awards (including awarding, vesting, performance conditions and the setting/amendments of the rules relating to those awards)		x
Bonuses (plan and payment)		x
Changes to terms and conditions of engagement and employment contracts of Chairman, Executive Directors and members of the Executive Committee	x	Recommends to Board for approval
Changes to terms and conditions of engagement and employment contracts of all other employees	X	Receives annual report
Termination compensation payments – Chairman & Executive Directors and members of the Executive Committee (including good leaver status and treatment of any deferred awards)		x
Termination compensation payments - CEO	x	Recommends to Board for approval
Material compensation payments to an employee		x

on termination in excess of such employee's entitlement under their contractual terms		
Appointment of remuneration consultants		x